Nova Scotia Housing Development Corporation

Business Plan

Fiscal Year 2006-2007

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Message from the Chair and the President

We are pleased to present the 2006-2007 business plan for the Nova Scotia Housing Development Corporation.

The Corporation plays an important role in enabling the Department of Community Services to continue to help Nova Scotians access safe and affordable housing and maintain their homes.

We continue to support the development of affordable housing options for Nova Scotians. As of March 31, 2006, through the Canada-Nova Scotia Affordable Housing Agreement, $37.26 million has been committed for the construction and renovation of more than 900 units. Phase II of the Agreement will make an additional $18.92 million available through to March 2010.

In 2006-2007, the Corporation, working with Community Services and its delivery partners, will continue to support the creation and renovation of affordable housing units in communities throughout the province.

This plan provides an overview of the Corporation's priorities for the coming year. It also highlights our progress in supporting the Corporation's mission to partner with Nova Scotians in fostering healthy communities through housing. Together, we look forward to a productive and successful year.

Sincerely,

David Morse
Chair

Marian F. Tyson, Q.C.
President

1.0 Mission & Mandate

Governed by the ***Nova Scotia Housing Development Corporation Act***, the mission of the Corporation is to partner with Nova Scotians in fostering healthy communities through housing.

Three federal-provincial agreements form the cornerstone of the Corporation's operations. They are the Social Housing Agreement (1997), the Affordable Housing Agreement (2002, 2005) and the Housing Renovation Program Agreement (2003). These agreements enable the Corporation to support the province in providing safe, adequate, affordable, and sustainable housing to low and modest income Nova Scotians. The Corporation also manages the province's social housing assets, negotiates funding agreements and provides financing tools for a variety of housing solutions. In addition, the Corporation fills a gap in lending needs; as it can borrow long term funds at fixed interest rates.

The Minister of Community Services is the Corporation's Chairperson and the Deputy Minister is the President. The staff of the Department of Community Services carry out the management and administration functions of the Corporation, but are not direct employees and receive no remuneration from the Corporation. Direct service delivery, including functions like tenant and property management, is carried out by seven Housing Authorities and their employees.

In carrying out its business, the Corporation and its agents perform a number of roles, including those of land owner, landlord, administrator and developer. For example, the Corporation is the largest residential landlord in the province, owning 12,000 senior and family public housing units. These units are administered and managed by the Housing Authorities. The Authorities also administer the Rent Supplement Program of approximately 800 units, and the Rural and Native Housing Program of some 1,200 rental and homeowner units. Combined, these programs provide housing to approximately 30,000 Nova Scotians.

Other Corporation activities include the administration of the Canada Mortgage and Housing Corporation's (CMHC) mortgage/loan portfolio for Nova Scotia and working with other program units within Community Services and with the Department of Finance to provide direct lending to housing related projects for long term interest rate risk reduction.

2.0 Planning Context

Many factors affect the performance of the Corporation. Some of the more prominent challenges, and the opportunities and initiatives to address them are discussed below.

2.1 Challenges

Declining Federal Support for Social Housing

One of the more pressing challenges for the province and the Corporation is the issue of declining federal support for social housing programs. Annual federal funding for programs under the Social Housing Agreement of 1997 does not make provision for inflationary impacts, but rather fixes the contribution at 1995 funding levels. On-going operating costs for social housing projects are increasing at a level that far exceeds the rate of inflation, further accentuating this gap between federal funding and the actual cost. Rising cost items include utilities, heat, building material and wages. The issue is not unique to Nova Scotia, as both Newfoundland and Labrador and New Brunswick, who also entered into Social Housing Agreements with the federal government, are experiencing the same pressure.

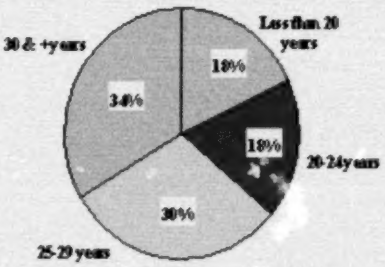
National Housing Framework

The Federal/Provincial/Territorial Housing Ministers have been pursuing the development of a National Housing Framework. The adoption of a Framework could potentially have a profound impact on provincial housing activities. Work on the National Framework has been delayed by protracted negotiations with the former federal government, and now a change in government at the federal level.

Aging Public Housing Stock

The province's public housing stock is aging. One in three public housing units (3,800) is at least 30 years old. Another 3,500 units were built 25-29 years ago. These units require more ongoing maintenance and capital improvements than those built within the past twenty years.

Nova Scotia – 2004 - Public Housing By Age of Units (%)



Aging Private Housing Stock

Nova Scotia has one of the highest rates of home ownership in the country, almost 71% in 2001 compared with the national average of 63%, and some of the oldest housing stock. Almost 70% of homes in Nova Scotia are at least 40 years old, with some 22%, 60 years or older.[1]

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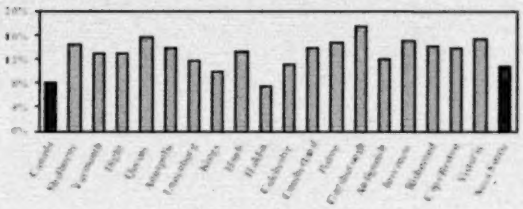
[1]Canada Mortgage & Housing Corporation, Canadian Housing Observer, 2004, Dwellings by Period of Construction, Nova Scotia 2001

Based on 2001 data, most Nova Scotia homeowners - 89% - live in homes that are not in need of major repair. However, some 11% of Nova Scotian homes are in need of major repairs. Except for Halifax, this is true for each county in the province.[2] This continues to put pressure on home repair programs.

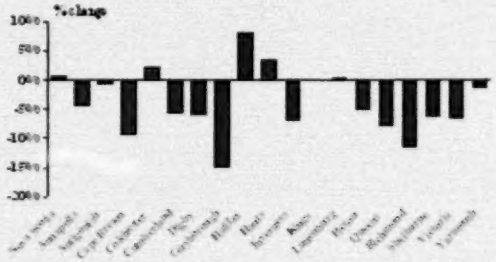
Occupied Private Dwellings in Need of Major Repairs
Canada and Nova Scotia by County, 2001



Rural/Urban Population Shift

Nova Scotia's population is on the move. Areas experiencing growth as a result of intra-provincial migration include Halifax, Hants, Colchester, Lunenburg, and Kings counties.[3] Other areas of the province are experiencing population declines, as people of all ages move closer to the more urban centers of the province. As a result, the rural/urban shift presents multiple challenges. Demand for seniors' public housing is growing in urban areas as seniors migrate to areas with better community services and more accessible public services. Conversely, some public housing projects, built over 20 years ago, are located in communities where there is no longer a high demand for public housing. Yet there is pressure to maintain existing rural housing despite population declines.

Population Growth
Nova Scotia by County, 1996-2004



Core Housing Need

Approximately 85%[4] of Nova Scotia's households have acceptable housing. However, for other households, adequate affordable housing is the predominant factor driving other decisions. The Corporation, working with the Department of Community Services, continues to develop new Affordable Housing options to create and preserve affordable housing in Nova Scotia.

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2 Major repairs – includes defective plumbing or defective wiring, structural repairs to walls, floors or ceiling etc. (Statistics Canada).

[3] Cited in *Painting the Landscape of Rural Nova Scotia*, Statistics Canada.E-Stat(2002). 2001Census of Population http://estat.statcan.ca/cgi-win/CNSMCGI.EXE?ESTATFILE=Estat|English|E-Main.htm

[4]Based on CMHC's latest core housing need data.

2.2 Opportunities & Initiatives

To help address these challenges, the Corporation is continually pursuing additional funding opportunities, and exploring ways to promote effective and efficient management of operations, both for today and the future. The Corporation has been active in securing new funding agreements and has engaged in a number of major initiatives.

Affordable Housing Program, Phase II

On March 3, 2005, a new agreement with the Government of Canada for Phase II of the Affordable Housing Agreement, worth $18.92 million was signed. This brings the total investment under the Canada-Nova Scotia Affordable Housing Program Agreement to $56.18 million in funding by 2010[5]. This investment is being shared by the Government of Canada and the Province of Nova Scotia and its housing partners. Delivery of the Phase II funding will commence in 2006-2007. This will include funding for new rental projects and for sustaining existing homeownership and rental housing.

Affordable Federal Housing Trust

In May 2006, the Federal government introduced a new affordable housing trust for provinces targeted primarily to capital expenditures. Nova Scotia should receive approximately $23 million. This funding will enable Nova Scotia to upgrade and repair units that are at risk of falling out of the social housing portfolio.

Residential Rehabilitation Assistance Programs

In November 2005, the Federal Government announced a one-year extension to federal funding for Residential Rehabilitation Assistance Programs (RRAP). It is estimated that in 2006-2007, funding of approximately $9 million will be available.Based on prior years' experience, this funding will provide for assistance to some 900 households.

Social Housing Programs Evaluation

Work is continuing on the evaluation of a number of programs under the Social Housing Agreement. The evaluation will provide valuable information on the performance, results and cost-effectiveness of the federal/provincial social housing programs covered by the Agreement. A report is expected early in the fall of 2006-2007.

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[5] An amendment to the Affordable Housing Agreement extending the expenditure deadlines to 2010 is pending.

3.0 Strategic Goals

The goals of the Housing Development Corporation are to:

- Foster healthy communities through innovative housing solutions
- Ensure access to a supply of safe, appropriate, affordable and sustainable housing

4.0 Core Businesses

The Corporation's core businesses are:

- Managing the province's social housing funds and assets.
- Providing financing to social housing projects.
- Enabling the delivery of housing programs through funding agreements like the Canada /Nova Scotia Social Housing Agreement, the Canada/Nova Scotia Affordable Housing Agreement and the Canada/Nova Scotia Housing Renovation Programs Agreement.

5.0 Priorities for 2006-2007

In setting the planning direction for the 2006-2007 fiscal year, the Government has identified six key priorities:

- Health Promotion and Protection
- Youth, Families and Communities
- Community Safety
- Economic Development and Infrastructure
- Environment

The work of the Corporation, in concert with the Department of Community Services, provides the base upon which to build healthy and sustainable communities, and the foundation for Nova Scotia's families to grow and prosper. Access to safe, adequate and affordable housing is fundamental to personal well being, providing a safe place for families to live and raise children, enabling them to participate in the social and economic life of the province.

The priorities of the Nova Scotia Housing Development Corporation are shared with the Department of Community Services. In carrying out its core business, the Corporation secures the necessary funding and manages the related assets to enable Community Services to provide programs which address the housing needs of Nova Scotians.

The following priorities are planned for the 2006-2007 fiscal year.

Priority: Implement Phase II of the Affordable Housing Program Agreement

As of March 31, 2006, the province will have fully committed all of the $37.26 million funding available under Phase I of the Affordable Housing Agreement. This funding was used to create or rehabilitate approximately 900 housing units. This investment was shared by the Government of Canada and the Province of Nova Scotia and its housing partners.

Funding under Phase II of the Agreement begins in 2006-2007. The Government of Canada has offered a series of changes including additional flexibility in delivery, a rent supplement option for use of some federal funding, and an extension of the expenditure deadlines to 2010. An amendment to the Affordable Housing Agreement is pending.

In 2006-2007, implementation of Phase II, valued at approximately $18.9 million, will begin. This will bring the total investment under the Canada-Nova Scotia Affordable Housing Program Agreement to $56.18 million.

Priority: Strengthen the administration of mortgage and loans.

In 2006-2007, the administration and management of the Corporation's mortgage portfolio will be consolidated under the Finance & Administration Division of the Department of Community Services as part of the Corporation's efforts to provide better service to its clients. This change will enable a more coordinated approach to mortgage management, facilitate the early identification of opportunities to reduce borrowing costs, and strengthen the relationship with the Department of Finance in the development/implementation of a strategy to achieve the best results for borrowers and the province.

6.0 Budget

The following two tables provide information on the Corporation's funding and expenditures.

Nova Scotia Housing Development Corporation Funding			
Funding Source	**2004-05 Actual**	**2005-06 Forecast**	**2006-07 Estimate**
Revenue from Government Sources	92,700	103,600	115,100
Revenue from Rents	50,400	49,500	49,500
Interest, Revenue from Land Sales and Other Revenue	7,700	5,600	3,000
Total Funding	**150,800**	**158,700**	**167,600**

Nova Scotia Housing Development Corporation Expenditures			
Expenditure Source	**2004-05 Actual**	**2005-06 Forecast**	**2006-07 Estimate**
Interest on Long Term Debt	29,000	30,000	31,000
Property Management and Operations	41,600	42,100	44,000
Maintenance and Capital Improvements	24,600	24,000	27,500
Housing Renovation and Affordable Housing	11,350	19,100	28,100
Transfer to Housing Services*	24,900	24,900	19,500
Amortization of Investment in Social Housing	11,800	13,000	14,500
Administration Fee and Cost of Land Sold	7,550	5,600	3,000
Total Expenditures	**150,800**	**158,700**	**167,600**

* Under the terms of the Canada Nova Scotia Social Housing Agreement, CMHC transfers the Federal subsidies to the Corporation monthly. A portion of this funding is then transferred to the programs division of the Department of Community Services for Social Housing program subsidies. In addition, gross program expenditures under the Affordable Housing agreement and The New Home Renovation agreement are included in the forecast and estimate amounts.

7.0 Performance Measures

Core Business Area: Manage the province's social housing funds and assets.				
Outcome	**Measure**	**Data**	**Target**	**Strategies to Achieve Target**
Financial reserve funds are adequate, risk of loss to the province is minimized.	% of Co-operative Housing organizations who achieve a ranking of Level I or a High Level II based on an annual assessment of their financial, democratic and physical condition	FY 2005-2006 (BY): to be reported at the end of the fiscal year.		Implement the Co-operative Housing Ranking Model as an evaluation tool to assess the health of the Co-operative Housing Portfolio.
Core Business Area: Provide financing to social housing projects.				
Outcome	**Measure**	**Data**	**Target**	**Strategies to Achieve Target**
Government has additional options in managing capital financing for government sponsored housing.	Number of social housing projects receiving financing assistance and/or mortgage guarantees.	2004-05: 6 projects 2003-04: 9 projects 2002-03: 6 projects 2001-02 (BY): 1 project	Assist a minimum of three housing projects per year.	The Corporation will continue to foster and pursue partnering opportunities with other departments and government agencies.

Core Business Area: Enabling the delivery of social housing programs through funding agreements.				
Outcome	**Measure**	**Data**	**Target**	**Strategies to Achieve Target**
More households in safe, appropriate, affordable and sustainable housing.	Affordable Housing Agreement funds committed to date on creating and renovating housing units.	2005-06: committed to date $37.26 million 2004-05:committed to date $19 million 2003-04: committed to date $1.25 million 2002-03: committed to date $750,000	Commit Phase II funding $18.9 million by March 2008[6]	Begin to implement Phase II Affordable Housing Agreement. Work in partnership with community based organizations, municipalities and the private sector to increase or preserve housing units.
	Number of households assisted through funding made available under the Housing Renovation Program Agreement.	As of March 31, 2005: 835 dwelling units, 86 beds As of March 31, 2004: 919 dwelling units, 68 beds As of March 31, 2003 (BY): 1,021	Continue to maximize the benefits associated with housing repairs for those most in need, based on the funds available in each fiscal year.	Utilize the full annual funding available for renovation programs.

[6] An amendment to the Affordable Housing Agreement extending the expenditure deadlines to 2010 is pending.